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SUBJECT: RECOMMENDATION TO PURSUE NUCLEAR ENERGY TECHNOLOGY
COOPERATION AGREEMENT WITH CZECH REPUBLIC

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11. (SBU) Summary: In his October 21 letter to Czech PM Fischer, Energy Secretary Chu wrote that he "would welcome discussion on a bilateral technology agreement that would promote cooperation in nuclear energy research and development in areas such as next generation design." The Government of the Czech Republic (GoCR) views the further development of nuclear energy as key to strengthening its energy independence and economic development, has a long-history of nuclear research, and treats both energy security and creating new research and development opportunities as key priorities. Post strongly recommends that the USG begin this dialog on a bilateral technology agreement as soon as possible. It would help the U.S. broaden its relationship with the Czech Republic post radar and demonstrate that the U.S.-Czech relationship is about more than defense. It would also help Westinghouse in its bid to win the semi-state electricity company CEZ's USD 27.5 billion tender for up to five new nuclear reactors. A Westinghouse win would also create an estimated 9,000 high-paying U.S. jobs and position Westinghouse to capitalize on future opportunities in the region. End summary.

Czechs Have a Long History of Nuclear Research

12. (SBU) The Czech Republic has a long history in nuclear research and is the home to two nuclear research reactors. It also hosts six commercial nuclear power plants at two sites, with plans to build more. Currently, nuclear power accounts for roughly 30 percent of Czech electricity production. The Czechs were the center of research on thorium-based molten salt reactors for the Soviet bloc, research that continues today. To further this research, including the planned construction of a working molten salt reactor, the Czech Government recently established the Advanced Thorium Research Agency and is actively seeking international partners. Australia, where around 60 percent of the world's known thorium reserves are located, is reportedly interested. As part of this project, the REZ nuclear research reactor, majority owned by the semi-state electricity company CEZ, has developed a draft memorandum with UT-Battelle, the management contractor for DOE's Oak Ridge National Laboratory, on the transfer of excess Lithium 7 from the U.S. to the Czech Republic.

13. (SBU) Westinghouse has also had preliminary talks with REZ about joining Westinghouse's project to develop IRIS, an advanced "Generation III-Plus" small modular pressurized water reactor. Westinghouse is also exploring with REZ the possibility of collaborating on several "Generation IV"

reactor projects including a high-temperature gas reactor and fast reactor Generation IV technology. Over the past two decades, DOE's National Nuclear Safety Administration has also worked closely with REZ and the research reactor at the Czech Technical University to improve their security, make the transition from the use of highly-enriched to low-enriched uranium, and to transfer used fuel to Russia for reprocessing.

Public Support for Nuclear Energy

14. (SBU) The Czech public is firmly behind the expansion of nuclear power. Nuclear energy is supported by all political parties except for the small Green Party. Even the Environment Ministry, whose political leadership is still from the Green Party, has recently come to embrace nuclear power as a low-emissions energy source. The Ministry of Environment is now proposing a larger future share of nuclear production than even the Ministry of Industry and Trade. A 2008 European Commission EuroBarometer poll showed that Czechs are more in favor of nuclear energy than any of the other 26 EU countries, with 64 percent of Czechs indicating that they are either totally or fairly in support of nuclear power plants. Some local opinion polls have shown that Czechs are even more supportive of nuclear power than of wind energy. Most analysts believe that the 2009 January gas crisis has further strengthened support within Czech society for expanding domestic nuclear production as a way to enhance Czech energy security by lessening dependence on Russian gas and oil.

R and D Agreement Would Help Westinghouse

15. (SBU) Earlier this year, CEZ, which is 70 percent owned by the Czech state, released a tender for two additional nuclear

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power plants at the Temelin Nuclear Power Station, with options for three additional units elsewhere in the Czech Republic or Europe. Should CEZ choose to build all five power plants, the contract would be worth roughly USD 27.5 billion. A Westinghouse win would create an estimated 9,000 new highly-paid jobs in the U.S. and position it to capitalize on future growth opportunities in the region. The Department of Commerce has determined that USG advocacy on behalf of Westinghouse is in the national interest. VP Biden raised Westinghouse's bid during his October 23 visit and Energy Secretary Chu has sent a letter of support. Westinghouse, however, faces significant competition from the Russian AtomStroyExport and the French Areva.

16. (SBU) Conclusion of a U.S.-Czech research and development agreement would significantly help Westinghouse's chance to win this major tender. In his meeting with VP Biden, Czech PM Fischer noted that selection criteria for the government included technology transfer and cooperation on research and development. As already noted, Westinghouse is inviting REZ, which is majority owned by CEZ (the semi-state electricity company that is issuing the tender) to participate in the research and development of generation III-plus and generation IV reactors. A U.S.-Czech nuclear research and development agreement can serve as an umbrella agreement to this and other U.S.-Czech cooperation that will make the Czech government more amenable to choosing U.S. technology for its future commercial reactors.

Further Diversifying the U.S.-Czech Relationship

17. (SBU) The Bush Administration's plan to construct a missile defense radar site in the Czech Republic became highly politicized and helped create the misperception that the U.S.-Czech relationship is mainly about defense. The Obama administration's decision not to include the radar in its revised missile defense strategy has led part of the Czech elite to fear that the USG is abandoning central Europe as part of its "reset" with Russia. Fostering increased

opportunities for research and development in the Czech Republic is a key priority of all Czech political parties and is seen as essential in helping the Czech Republic transform itself from an assembly line economy, with an overreliance on manufacturing, to a modern knowledge-based economy. A U.S.-Czech nuclear research and development agreement would help underscore the U.S. commitment to the Czech Republic and the region post radar. It would also help demonstrate the diversity and depth of the U.S.-Czech relationship and that the relationship is about more than defense.

Conclusion:

18. (SBU) Embassy Prague strongly recommends that the USG, led by the Department of Energy, begin discussions with the Czech Republic on concluding a nuclear energy technology cooperation agreement as soon as possible. The recently signed U.S.-Italy Agreement for Cooperation in Civilian Nuclear Energy Research and Development can potentially serve as a model. A U.S.-Czech nuclear energy research and development cooperation agreement will help increase Westinghouse's chances of winning the Czech Republic's USD 27.5 billion tender for new commercial reactors. It would also help expand the U.S.-Czech bilateral relationship post radar, into an area that is a priority for both of our countries. An agreement would also help demonstrate the U.S.'s continuing commitment to engagement in this important region and that the U.S.-Czech relationship is about more than defense.
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